Essays on financial intermediation in developing countries
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This dissertation contains five essays on financial intermediation in developing countries. These different essays highlight the fact that the effectiveness and efficiency of financial intermediation in developing countries often suffers from wrong incentives that arise from poor corporate governance structures and weak legal systems. These distinct features can lead to poor lending policies such as insider lending. The first essay describes the practice of insider lending in the case of Russia, explains its causes, and shows how it can be limited. A second set of essays looks at the financing problems faced by the corporate sector when financial intermediation is ineffective and alternative sources of financing are lacking. A key result that emerges from these essays is that financing constraints differ across firms, and that liberalisation of the financial sectors has in general a positive impact on the financing constraints of firms, especially for small and medium-sized companies, because it reduces distortions in the allocation of capital. Financial liberalisation is, however, only effective if countries introduce both measures to reduce distortions in the financial system and prudential regulations. Without a proper enforcement of prudent laws, a liberalised financial system can pose systemic risks to a country's economy, its depositors and taxpayers. It is, therefore, essential to assess the different risk-taking behaviours of financial institutions. The final essay proposes a methodology to measure bank risk-taking. This methodology could become part of an early warning system, that could be used to signal future vulnerabilities of a country's financial sector.

Luc Laeven holds a master degree in econometrics from Tilburg University and a master degree in international finance from the University of Amsterdam. He has been a Ph.D. student in finance at both the London School of Economics, where he has been affiliated with the Center of Economic Performance, and the University of Amsterdam. His research focuses primarily on emerging markets finance. He is the author of several publications that study the problems and challenges faced by the financial and corporate sectors of developing countries around the world. He has worked as an analyst for ABN Amro Bank and as a consultant to the World Bank. Currently, he is a financial economist at the Financial Sector Strategy and Policy Group of the World Bank in Washington DC.